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UNCLAS RANGOON 000824

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SUBJECT: BURMA'S RICE POLICY: THE MIDDLE PATH

REF: A. RANGOON 372

[B](#). 04 RANGOON 1330 AND PREVIOUS

[1](#)1. (SBU) Summary: The GOB has tweaked its rice export policy again to allow some private companies to sell the staple overseas, but only if the rice has been grown on "new" land. This tortured evolution is not a meaningful return of the private sector to the rice trade, and will not bring rice export volumes close to their recent highs in 2002. However, it will allow the GOB to devolve some responsibility to trusted "entrepreneurs" while still keeping a tight rein on this most sensitive of markets. End summary.

Taking the Middle Path

[1](#)2. (SBU) Since the SPDC aborted its half-hearted effort to liberalize the rice trade 18 months ago (ref B), there have been few clues about the future of Burma's once dominant agricultural export. Since January 2004, when rice exports were "banned," the GOB itself has been exporting small amounts of rice -- mostly from its aging surplus stocks -- but the regime has prohibited the private sector from playing a real role. The result has been a drop in total rice exports to about 100,000 tons in CY 2004 (down from 900,000 tons in 2002). Now it appears the regime is allowing the private sector back into the export game, but in a very controlled way.

[1](#)3. (SBU) For several years, the GOB has been encouraging "national entrepreneurs" (read: business cronies) to grow key crops -- especially rice and oil palms -- on reclaimed or virgin land. For the 30 "entrepreneurial" rice planters, located mostly in the Irrawaddy delta region, the GOB promised it would allow them to freely export all crops grown on these lands, even with the overall ban on private rice exports intact. This policy came to fruition in FY 2004-05 (April-March) when the GOB handed out permits to four of these entrepreneurs for rice exports of around 5,000 tons total. In June, however, the government announced it was giving a license to a fifth private firm to export about 10,000 tons of rice grown on its 17,000 acres of land. The company, Ayeyarshwewar, is controlled by Tay Za, the GOB's top business crony.

[1](#)4. (SBU) Naturally, the process is not as easy as just growing new "export only" crops. For an entrepreneur to get the license, s/he must first get recommendation letters from regional civil and military officials and then from the Rangoon-based Union of Myanmar Federation of Chambers of Commerce and Industry. With these referrals in hand, the company must then put their license request to the Trade Policy Council, chaired by SPDC number two, Vice Senior General Maung Aye.

Comment: An Unsatisfactory Solution

[1](#)5. (SBU) We don't see this as a meaningful return of the private sector to the rice game and don't believe it will improve Burma's export position much from the 2004. In fact, the GOB's handing of the lucrative business to loyalists with no experience in the cutthroat business of rice trading may limit export revenues as more experienced importers (and local middlemen) squeeze the cronies for all they're worth. However, the SPDC's priority is keeping rice prices cheap on the domestic market -- no matter the cost to farmers, exporters, and even the regime's own foreign exchange accounts. End comment.

Martinez